

BEFORE  
THE PUBLIC SERVICE COMMISSION OF  
SOUTH CAROLINA  
DOCKET NO. 2003-109-E - ORDER NO. 2003-270

APRIL 24, 2003

IN RE: Petition of Duke Power, A Division of Duke     ) ORDER APPROVING  
Energy Corporation, for Approval of the     ) PROPERTY TRANSFER  
Transfer of Property in South Carolina.     )

This matter comes before the Public Service Commission of South Carolina (the "Commission") on the Petition of Duke Power, a Division of Duke Energy Corporation ("Duke" or the "Company"), for approval of the transfer of certain real estate (hereafter referred to as "the Property") located in the Duke service area in South Carolina. Duke's Petition is made pursuant to S.C. Code Ann. Section 58-27-1300 (Supp. 2002).

By its Petition, Duke states that the Property in question is not required for current utility operations. According to Duke, the Company has entered into an Agreement of Purchase and Sale with First Citizens Bank and Trust Company of South Carolina ("First Citizens") wherein First Citizens will purchase the Property for a price of \$6,800,000. The Property at issue, according to Duke, consists of a 4.91 acre commercial site improved with a 62,190 square foot, three-story office building with a partial basement. Duke attached as Exhibit A to the Company's Petition a detailed description of the Property.

In support of the fair market value of the property, Duke provided as Exhibit B an appraisal letter dated September 19, 2002, by Mark B. Ratchford, MAI, SRA, a South

Carolina certified general real estate appraiser with the Robinson Company of Greenville, Inc., located in Greenville, South Carolina. According to the appraisal of Mr. Ratchford, the market value of the Fee Simple Interest of the subject Property is \$7,000,000, as of August 30, 2002. As to the book value of the Property, Duke asserts this value at \$7,500,000.

Duke advises in its Petition of the background and circumstances leading to the proposed sale of the Property. According to Duke, the subject Property is the Company's former Greenville Business Office which was completed in 1989. The office accommodated functions for Duke's Southern Region, including the Southern Region Vice President and staff. Duke states that the occupancy and need for the facility diminished as the Company's functions began to consolidate to the corporate headquarters in Charlotte, North Carolina.

The Property was listed for sale by Grubb & Ellis/The Furman Co. on June 5, 2002. A copy of the listing by Grubb & Ellis/The Furman Co. is provided by Duke as Exhibit C to the Company's Petition. According to Duke, little interest was shown in the Property due to the slow economy and the unique design of the building which made it difficult for an investor to buy and lease space to multiple tenants. Duke asserts its belief that accepting the offer of First Citizens is the best financial decision due to the high monthly operating cost associated with the building. Additionally, no other offers were received. Duke advises further that the Company will lease back for three years the third floor of the building and utilize this space as a call center and for other normal office procedures.

Lastly, Duke advises the Commission that the original cost of the Property being sold will be credited as a reduction of the amount carried upon the books of the Company under Account 101, Electric Plant in Service. The difference between the sale price and the original cost of the Property will be applied to Account 421.10, Gain on Disposition of Property or Account 421.20, Loss on Disposition of Property.

Upon examination of the proposed transaction, the Commission makes the following findings:

1. S.C. Code Ann. Section 58-27-1300 (Supp. 2002) entitled “Disposition of properties, powers, franchises or privileges ...” governs the proposed transaction. Section 58-27-1300 requires an electrical utility to obtain approval from the Commission prior to selling utility property, except that utility property with a fair market value of one million dollars or less may be disposed of without prior approval of the Commission.

2. S.C. Code Ann Section 58-27-1300 (Supp. 2002) does not require a hearing on a Petition filed pursuant to Section 58-27-1300 but makes a hearing discretionary.

3. The purchase price of the Property is lower than the fair market value of the Property. The Petition and the exhibits thereto indicate that the fair market value of the Property is \$7,000,000, and that the book value of the Property is \$7,500,000. The difference in the fair market value of the Property and the sale price of \$6,800,000 is attributable to the unique design of the structure, a slow economy, and little interest being shown by potential buyers in purchase of the Property.

4. The Commission finds that the sale of the Property to First Citizens Bank and Trust Company of South Carolina is a bona fide sale. The Property was listed for

numerous months with a commercial realtor, and the Property was sold for the best offer received.

5. The Commission finds that the accounting treatment proposed by the Company is appropriate. The proposed accounting treatment provides that the original cost of the Property being sold will be credited as a reduction of the amount carried upon the books of the Company under Account 101, Electric Plant in Service. The difference between the sale price and the original cost of the Property will be applied to Account 421.10, Gain on Disposition of Property or Account 421.20, Loss on Disposition of Property.

6. S.C. Code Ann. Section 58-27-1300 (Supp. 2002) provides that a hearing may be held at the Commission's discretion. The Commission finds that no hearing is necessary in this matter.


Based upon the above findings of fact, the Commission concludes that Duke has complied with the requirements of S.C. Code Ann. Section 58-27-1300 (Supp. 2002) and that the requested transfer of the Property should be approved. Accordingly, the Commission approves the requested transfer.

This Order shall remain in full force and effect until further Order of the Commission.

BY ORDER OF THE COMMISSION:

  
Mignon L. Clyburn, Chairman

ATTEST:

  
Gary E. Walsh, Executive Director

(SEAL)